



MEMORANDUM

To: CMAP Transportation Committee

From: CMAP staff

Date: November 10, 2016

Re: Transportation Obligation and Award Trends

In September, the Transportation Committee was presented with historical revenue trends, as well as past revenue forecasts in comparison to actuals, in order to help lay the groundwork for the ON TO 2050 financial plan for transportation. As a next step, this memo documents trends in how the region has chosen to invest its funds in comparison to the recommendations in GO TO 2040, with the purpose of providing background to help guide the CMAP committees' discussion of the allocation categories to be included in the financial plan. These allocation categories are to be discussed first with the TC in January.

GO TO 2040 included a set of broad recommendations on how to invest the region's limited capital funding. It recommended prioritizing operations, maintenance, and modernization over expansion. It also recommended an increased commitment to public transit, including increased capital investment. A small portion of the region's resources were to be devoted to major capital projects. Given the relatively short time that has elapsed since GO TO 2040 was adopted, and the long lead-up to obligating or awarding project funds, it is inherently difficult to compare the plan recommendations to actual investments. However, the comparison is instructive and provides some insight into how to track the implementation of financial plan recommendations.

Overview of Annual Obligations and Awards

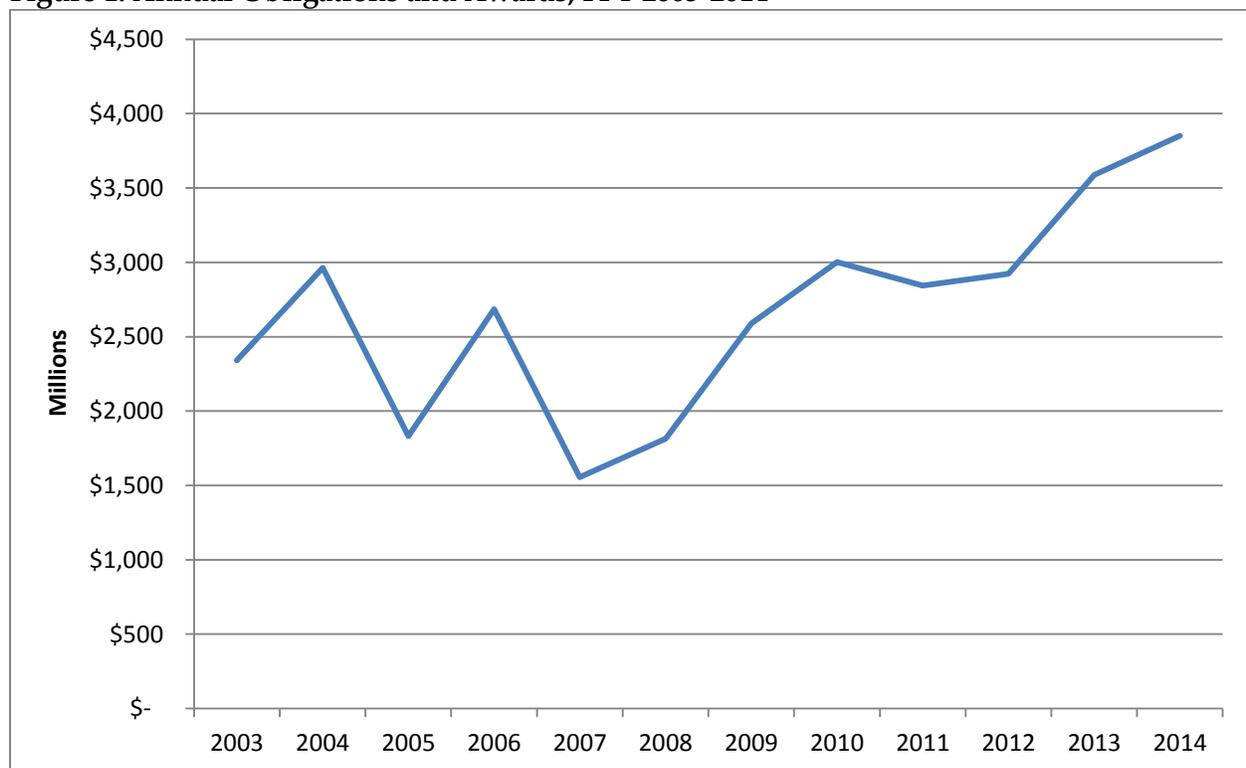
The chief source of the data in this memo is the annual [Regional Project Award and Obligation Report](#) for Northeastern Illinois. This report, required by [23 USC CFR 450.334](#), identifies obligations or awards of project phases that occurred in the previous Federal Fiscal Year (FFY) in the CMAP region.¹ The last ten years (2005-2014) of federal surface transportation

¹ The "obligation" occurs when federal authorization, i.e. a stated commitment from the U.S. Department of Transportation to financially participate in a project, is secured. Once that commitment is made, the available funds are assigned to the project for reimbursement. Authorization occurs approximately six weeks before the bid letting, i.e. opening of bids for requested work, for construction phases and when an agreement is entered between the state of Illinois and the local sponsor for pre-construction phases. The

authorizations and state and county transportation awards have been assembled from the annual reports. To facilitate alignment with the financial plan, the funds are shown in nominal dollars.

Going back to 2003, federal authorizations and awards and state and county transportation awards have fluctuated between a low of \$1.56 billion in 2007 to a high of \$3.85 billion in 2014 (Figure 1). Because an obligation or an award occurs in a specific year does not mean that those funds are expended in that year. It may take several years for an obligation or award to be fully expended and a project to be completed. For example, a large roadway or transit project might take several years to construct, but the award of those funds would occur in the first year of construction. The 2003 and 2004 data are included in Figure 1 to clarify total obligation and award trends but are not included in the remainder of the analysis because historical data are insufficient to provide detail on the obligations and awards.

Figure 1. Annual Obligations and Awards, FFY 2003-2014



Source: CMAP Regional Project Award and Obligation Report 2003-2014

The main reasons for large increases in annual obligations and awards can be attributed to the passage of new federal transportation bills and new capital programs. The year 2006 shows an increase of \$853 million because the Safe, Accountable, Flexible, Efficient Transportation Equity

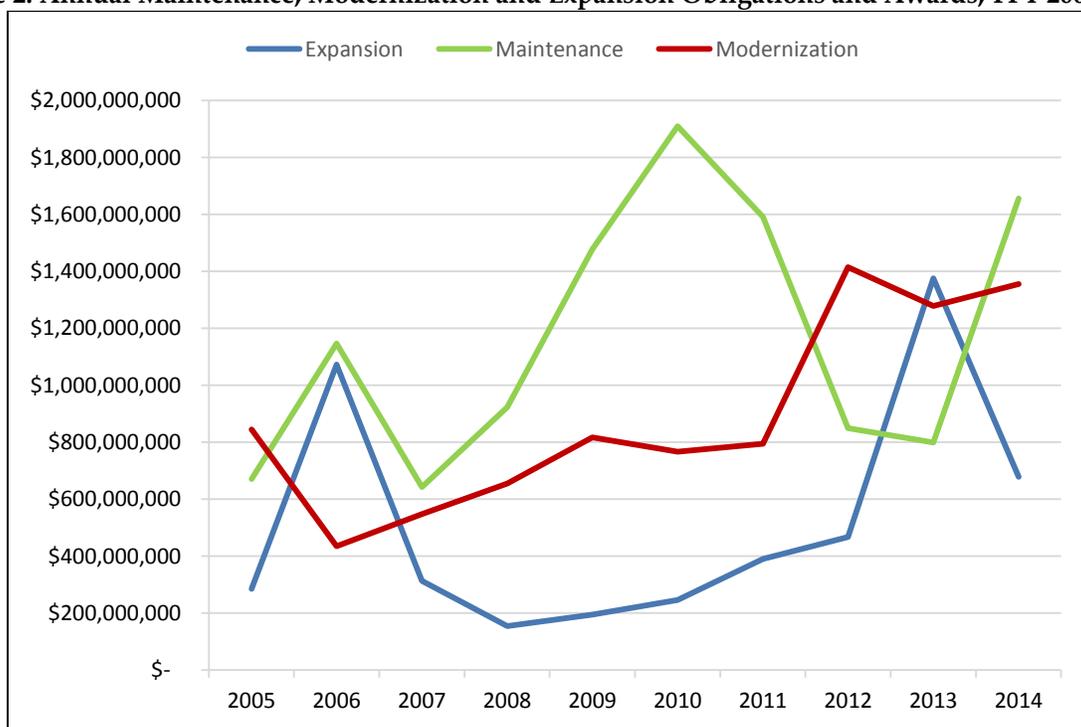
“award” occurs when a bid or request for proposals (RFP) has received proposals, the contractor has been selected, and a contract has been executed between the two parties. For federally funded projects, both obligation and award must occur. For all other projects, only the award occurs. Award information is considered more accurate than authorization because it reflects an actual agreement between the project sponsor and a contractor. However, for some projects authorization data is used as it is the only information available at the time the report is prepared.

Act: A Legacy for Users (SAFETEA-Lu) was signed into law only 2 months prior to the start of the 2006 federal fiscal year. The same happened in 2013 with the passage of Moving Ahead for Progress in the 21st Century Act (MAP-21) and a \$667 million jump in awards. The other major increases in 2009 and 2010 can be attributed to the American Recovery and Reinvestment Act of 2009 (ARRA).

Maintenance, Modernization and Expansion

Since FFY 2011, projects have been classified into one of three categories: maintenance, modernization, or expansion. The project classifications are based upon the project’s work type in either the Transportation Improvement Program (TIP) or as reported by the project implementing agency. The classification is intended to demonstrate how plan priorities from GO TO 2040, particularly the focus on maintenance and modernization, are being implemented over time. Over the ten-year period, maintenance and modernization of the system has accounted for 80 percent of the obligations and awards while expansion was only 20 percent. The decline in maintenance spending after 2010 is a consequence of the major increase in funds for maintenance work as a result of ARRA. The ARRA program accounts for \$673 million dollars in 2009 and 2010, with 65 percent going towards projects classified as maintenance.

Figure 2. Annual Maintenance, Modernization and Expansion Obligations and Awards, FFY 2005-2014

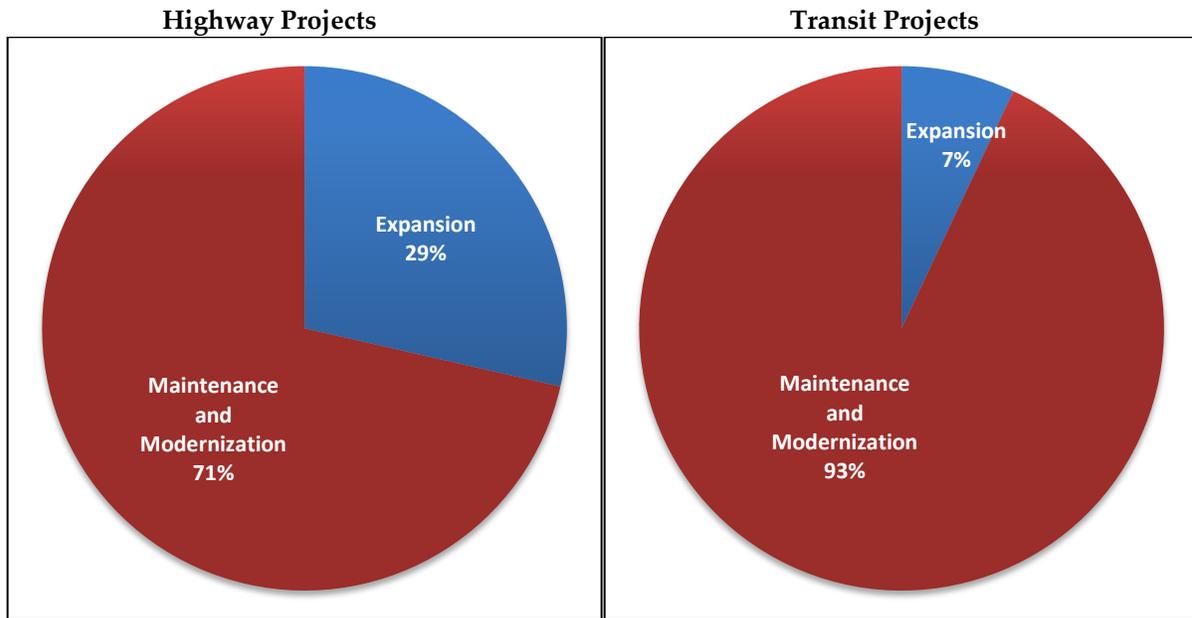


Source: CMAP Regional Project Award and Obligation Reports 2005-2014

This data suggests that the region is prioritizing maintenance and modernization as recommended by GO TO 2040. Given that the region’s transportation system is mature, this is to be expected. But the plan did not make specific recommendations on how much should be invested in maintenance versus expansion, so it is not possible to be more precise about how well the region’s investments are tracking the policy framework in GO TO 2040.

Breaking down the expansion category versus maintenance and modernization by mode shows a different picture (Figure 3). For highways, 29 percent of obligations/awards were for expansion projects, while for transit only 7 percent were for expansion. Note that the expansion category used here is broader than the major capital projects allocation used in GO TO 2040, which only includes larger expansion projects (i.e., new expressway or rail capacity). To account for maintenance work performed as part of expansion projects, maintenance costs were estimated and separated from the total using unit costs for reconstruction elements.

Figure 3. Percentage of Expansion vs Maintenance and Modernization Obligations and Awards by Highway or Transit Mode, FFY 2005-2014



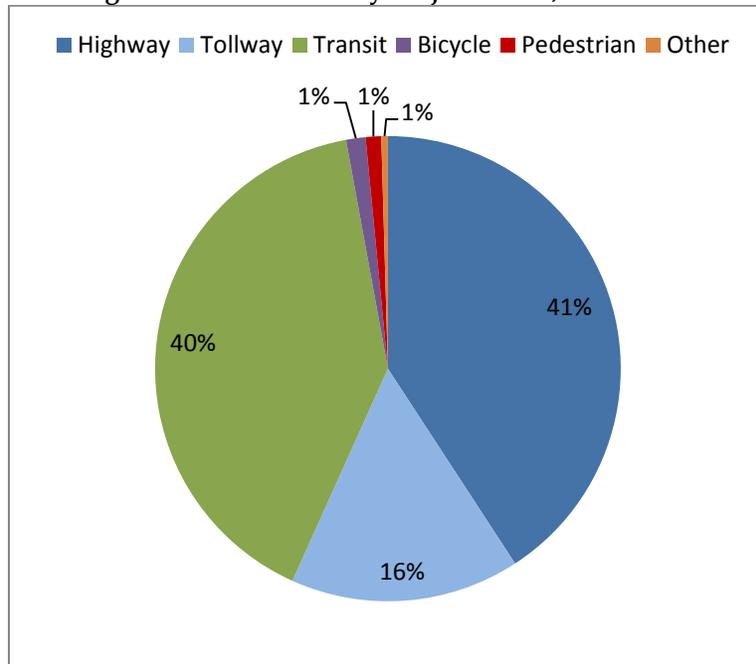
Source: CMAP Regional Project Award and Obligation Reports 2005-2014

Obligations and Awards by Project Mode

Overall, roadways, including toll roads, have received the most investment over the decade of this analysis (Figure 4), followed by transit.² GO TO 2040 calls for an increased investment in the region’s transit system. Between 2005 and 2009, transit projects only accounted for 32 percent of the obligations and awards. Beginning in 2010, transit obligations and awards did in fact rise somewhat (Figure 5). The average annual transit obligations and awards over the last 5 years is 46 percent. Thus, looking just at this ten-year period, the region has increased investment in the transit system, although again an obligation may result from a programming decision made years prior. As with GO TO 2040’s focus on maintenance and modernization, it is not possible to be more precise about the degree to which investments match with plan recommendations.

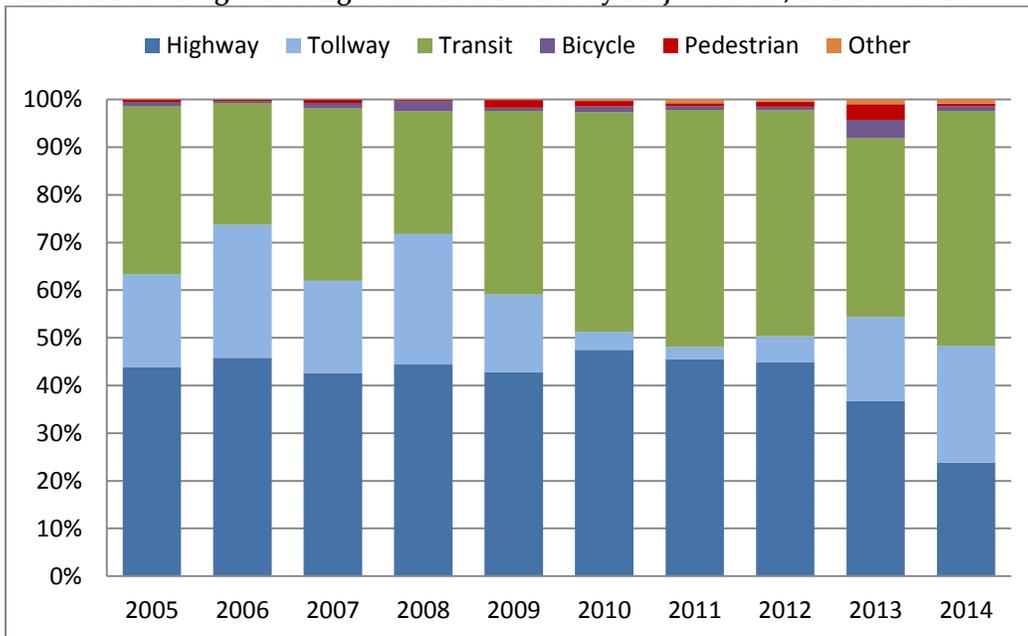
² The non-motorized modes appear to account for only 2 percent of obligations and awards. That percentage is likely somewhat higher, however, but bicycle and pedestrian accommodations are often bundled into highway projects. At this time there is no way to separate those associated funds from the highway obligations and awards.

Figure 4. Percentage of Obligations and Awards by Project Mode, FFY 2005-2014



Source: CMAP Regional Project Award and Obligation Reports 2005-2014

Figure 5. Annual Percentage of Obligations and Awards by Project Mode, FFY 2005-2014



Source: CMAP Regional Project Award and Obligation Reports 2005-2014

Obligations and Awards on Major Capital Projects

A key element of GO TO 2040 and previous plans was the priority list of major transportation projects that fit within the plan's fiscal constraint. The obligations and awards attributable to major capital projects over the last ten years totaled \$3.6 billion, or 14 percent of all obligations and awards. A majority of that was obligated or awarded to highway projects in the amount of \$2.8 billion while transit received \$768 million. This included obligations and awards on projects such as the Brown Line Capacity project, the rehabilitation of the Blue Line Cermak Branch (Pink Line) project, I-355 Southern Extension, I-90 Jane Adams Reconstruction and Widening project and the Elgin O'Hare Western Access project.

With the development of ON TO 2050, the region has expanded the definition of major capital projects to include projects over \$100 million which change capacity on the NHS, expressways, principal arterials along with transit service changes and state of good repair projects costing over \$250 million. Using this definition, the obligations and awards for the last ten years would come to \$5.4 billion.

Conclusion

Based on this analysis, the region's investment decisions have generally been trending in the direction set out in GO TO 2040. However, the investment recommendations in GO TO 2040 are broad. ON TO 2050 is expected to have somewhat more detailed transportation expenditure categories or "allocations" in its financial plan. This will be discussed by TC starting in January 2017. Potentially, these allocations could be compared with past years' investments as a baseline.

Questions

- Is the maintenance, modernization, and expansion rubric a helpful way to categorize and track projects?
- Would more precision in the recommendations for maintenance, modernization, and expansion or other categories be useful for future tracking?
- Do you have initial thoughts about the expenditure categories for ON TO 2050?

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